

CHAPTER 16

REVENUES AND OTHER FINANCING SOURCES, EXPENSES, GAINS, AND LOSSES★1601 GENERAL

This chapter introduces the general accounting principles and concepts that the Department of Defense (DoD) Components and activities will follow to account for revenues, expenses, other financing sources, gains, and losses. Expenses and losses are discussed in detail in Chapter 17 of this Volume. Revenues, other financing sources, and gains are discussed in detail in Chapter 18 of this Volume. The “Table of Transactions” at the Appendix is provided to assist in the classification of exchange and nonexchange revenues, other financing sources, and gains and losses. Appendix A provides guidance for classifying all major transactions that finance the Department’s cost of operations.

★1602 REVENUES, GAINS, AND OTHER FINANCING SOURCES

160201. Revenues are amounts earned as a result of normal operations while gains generally relate to other transactions. Revenues normally result from the sale of, or reimbursement for, goods and services provided to DoD activities, other federal government agencies and the public.

★ A. The distinction between revenues and gains is a matter of classification in the general ledger accounts and their presentation in the financial statements.

B. Revenues are recorded at gross amount while gains are shown net of related costs.

★ 160202. Revenues. Revenue comes from two sources: exchange transactions and nonexchange transactions.

★ A. Exchange Revenue. Exchange revenues arise when a government entity provides goods and services to the public or to another government entity for a price.

★ B. Nonexchange Revenue. Nonexchange revenues arise primarily from exercise of the government’s power to demand payments from the public, such as taxes, duties, fines, and penalties. Nonexchange revenue also includes donations.

★ 160203. Other Financing Sources. The term “revenue” does not encompass all financing sources of government reporting entities, such as most of the appropriations they receive. Other financing sources provide resource inflows to government reporting entities and include appropriations used, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies.

160204. The basis for recording an amount as a revenue shall be the delivery of goods and services as evidenced by documentation of performance, a billing to the ordering activity, or the establishment of an accrual evidenced by constructive delivery or percentage of completion.

160205. In certain situations, delivery to customers may be spread over several accounting periods and a billing does not occur until final delivery is made. In such cases, revenue shall be recognized each time a partial delivery is made with a corresponding debit entry to the appropriate noncurrent accounts receivable account.

160206. Collections resulting from the sale of assets such as equipment shall not be treated as revenues by DoD Components that are not established to sell assets to other federal government agencies or to the public. Such collections are a partial recovery of the asset and shall be treated as such. Asset disposals, after considering any accumulated depreciation and cash collections, result in a gain or loss on disposal.

160207. Refunds are recoveries of overpayments and, as such, are not revenue. Refunds result from errors in paying invoices or returned items to vendor.

1603 EXPENSES AND LOSSES

160301. Expenses and losses are the use of resources during an accounting period in carrying out the DoD's mission. These can result from rendering services, delivering or producing goods, or carrying out other activities. Expenses relate to normal operating activities, while losses generally relate to other transactions.

160302. Expenses are commonly reported at their gross amount while losses are shown net of related proceeds.